

## Printing for Own Use

### Manufacturers

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This guide will interest persons who produce printed matter for their own use.

#### MANUFACTURING OPERATIONS

Production of printed matter for your own use in excess of a produced cost of \$50,000 a year, by any of the following methods, is a manufacturing operation for retail sales tax purposes:

- printing by offset lithography, dry offset or lithographic process;
- printing by letterpress, duplicators or imprinters using the relief process;
- printing by hectograph (gelatin or spirit), stencil, blueprint or whiteprint process;
- reproduction by commercial or high speed photocopy machines producing a large volume of copies from one master;
- reproduction by any duplicating method of forms for insertion of variable data, but without reproduction of the variable data at the same time. For "stencil" operations, only when the major operation is the production of forms to be filled in at a later date, is the operation considered to be manufacturing.

As a manufacturer, you need a vendor permit to remit retail sales tax. To obtain a permit call or visit a Retail Sales Tax Office. If you do not produce any taxable printed material, a vendor permit is not required. Also, if you do not exceed \$50,000 a year, a permit is not required and you should pay tax on all materials and equipment.

Manufacturers can buy raw materials that become part of the finished product, and most items of production machinery and equipment tax-exempt by issuing purchase exemption certificates to suppliers. (See Sales Tax Guides 104 — Purchase Exemption Certificates and 111 — Production Machinery and Consumables.)

Professional accountants, lawyers, architects, engineers, etc., who provide statements, drafts, drawings, etc., in rendering their professional services are not considered to be manufacturers.

Public hospitals, schools or universities are also not considered to be manufacturers.

#### CALCULATING TAX

Calculate tax on your taxable printing by using actual produced costs (materials, shop labour, manufacturing overhead and federal sales tax paid or payable). Where your produced costs can't be readily determined, a formula may be used as shown in the following example:



Actual cost of imaged articles (e.g. artwork, printing plates, typesetting and composition, matrices, etc.)		\$18,000.00
Actual cost of other materials (excluding federal sales tax and consumable materials)	\$10,000.00	
220% of other materials (formula)	<u>22,000.00</u>	<u>32,000.00</u>
		\$50,000.00
Federal Sales Tax (paid or payable)		<u>6,750.00</u>
Total Produced Cost		<u>\$56,750.00</u>

Retail Sales Tax payable is  $\$56,750 \times 8\% = \underline{\underline{\$4,540.00}}$

In this example, "other materials" include paper, ink, binding materials, etc. The 220% is a formula representing the cost of labour, overhead and consumable materials.

The method chosen to arrive at cost must be used consistently. The tax payable must be remitted on line 3 of your return.

## ARTWORK AND OTHER IMAGED ARTICLES

Imaged articles means:

printing plates — including electros, engravings, half-tones, negatives and stereotypes, typesetting and composition, metal plates, cylinders, matrices, film, **artwork**, designs, photographs, rubber materials, plastic materials, and paper materials when impressed with or displaying or carrying an image for reproduction by printing.

When tax is to be paid on your produced cost of printed matter, all artwork and other imaged articles should be purchased tax-exempt. Your cost price of these articles has to be included in your total costs of printing.

Where you produce your own artwork and other imaged articles, the amount to include in your total printing cost is your produced cost, which is:

a) Actual cost (materials, direct labour and manufacturing overhead)

or

b) cost calculated as shown in the following examples:

### Example 1

To be used for **artwork** only:

Actual cost of materials (excluding federal sales tax and consumable materials)	\$100.00
Direct labour — 10 man hours	
— using formula rate of \$20.00 per hour — $10 \times \$20.00$	<u>200.00</u>
Produced Cost	<u>\$300.00</u>

### Example 2

To be used for other imaged articles (may also be used for artwork)

Actual cost of materials (excluding federal sales tax and consumable materials)	\$100.00
Direct labour (actual)	100.00
Overhead using formula of 150% of direct labour	<u>150.00</u>
Produced Cost	<u>\$350.00</u>

## NON-MANUFACTURING OPERATIONS

The following types of reproduction are not considered manufacturing and tax must be paid on **all** equipment and **all** materials purchased.

- Production of any record by any of the following methods:
  - electronic or automated computing and tabulating machines
  - manual or electronic accounting machines
  - adding machines, addressing machines and cheque signing machines
  - typewriters and word processing equipment.
- Reproductions by:
  - photocopy machines used in offices (except those described under the heading Manufacturing Operations)
  - any method of duplicating variable information on factory or office forms from a handwritten or typewritten master
  - word processing machines wherein letters are reproduced by automatic typewriters or similar equipment.

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**The information in this publication is only a guideline. For more specific information, please consult the Retail Sales Tax Act or contact your local Retail Sales Tax Office listed in the blue pages of your telephone directory.**

